

NANOPHASE TECHNOLOGIES CORPORATION

BALANCE SHEETS

ASSETS	September 30, 2017 (Unaudited)	December 31, 2016
Current assets:		
Cash and cash equivalents	\$ 1,070,155	\$ 1,779,027
Trade accounts receivable, less allowance for doubtful accounts of \$5,000 on September 30, 2017 and December 31, 2016	1,581,118	434,226
Other receivable	312	96
Inventories, net	876,193	771,975
Prepaid expenses and other current assets	388,906	441,634
Total current assets	3,916,684	3,426,958
 Equipment and leasehold improvements, net	 1,424,782	 1,395,441
Other assets, net	18,034	19,893
	\$ 5,359,500	\$ 4,842,292
 LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Short-term debt	250,000	-
Current portion of capital lease obligations	130,069	107,021
Accounts payable	971,718	669,025
Accrued expenses	759,138	521,302
Total current liabilities	2,110,925	1,297,348
 Long-term portion of capital lease obligations	 271,149	 109,448
Long-term deferred rent	423,805	465,850
Asset retirement obligation	182,983	178,378
Total long-term liabilities	877,937	753,676
 Stockholders' equity:		
Preferred stock, \$.01 par value, 24,088 shares authorized and no shares issued and outstanding	-	-
Common stock, \$.01 par value, 42,000,000 and 35,000,000 shares authorized; 31,275,330 and 31,229,996 shares issued and outstanding on September 30, 2017 and December 31, 2016, respectively	312,753	312,300
Additional paid-in capital	97,512,451	97,359,324
Accumulated deficit	(95,454,566)	(94,880,356)
Total stockholders' equity	2,370,638	2,791,268
	\$ 5,359,500	\$ 4,842,292

NANOPHASE TECHNOLOGIES CORPORATION

STATEMENTS OF OPERATIONS

(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
Revenue:				
Product revenue, net	\$ 2,523,584	\$ 2,509,648	\$ 9,524,848	\$ 8,376,747
Other revenue	260,976	11,375	327,304	38,456
Net revenue	2,784,560	2,521,023	9,852,152	8,415,203
Operating expense:				
Cost of revenue	2,200,066	1,841,080	6,862,471	5,766,284
Gross profit	584,494	679,943	2,989,681	2,648,919
Research and development expense	494,076	386,081	1,353,830	1,059,507
Selling, general and administrative expense	723,979	715,765	2,203,026	2,151,726
Income/(Loss) from operations	(633,561)	(421,903)	(567,175)	(562,314)
Interest income	-	-	-	-
Interest expense	(8,486)	(3,179)	(24,911)	(11,309)
Other, net	(665)	-	17,876	551
Income/(Loss) before provision for income taxes	(642,712)	(425,082)	(574,210)	(573,072)
Provision for income taxes	-	-	-	-
Net income/(loss)	\$ (642,712)	\$ (425,082)	\$ (574,210)	\$ (573,072)
Net income/(loss) per share- basic and diluted	\$ (0.02)	\$ (0.01)	\$ (0.02)	\$ (0.02)
Weighted average number of basic and diluted common shares outstanding	31,239,678	31,211,132	31,234,735	30,805,053

NANOPHASE TECHNOLOGIES CORPORATION

STATEMENTS OF OPERATIONS - EXPANDED SCHEDULE

(Unaudited)

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2017	2016	2017	2016
Revenue:				
Product revenue, net	\$ 2,523,584	\$ 2,509,648	\$ 9,524,848	\$ 8,376,747
Other revenue	260,976	11,375	327,304	38,456
Net revenue	<u>2,784,560</u>	<u>2,521,023</u>	<u>9,852,152</u>	<u>8,415,203</u>
Operating expense:				
<i>Cost of revenue detail:</i>				
Depreciation	68,519	108,525	211,405	391,158
Non-Cash equity compensation	6,012	5,584	18,085	17,100
Other costs of revenue	2,125,535	1,726,971	6,632,981	5,358,026
Cost of revenue	<u>2,200,066</u>	<u>1,841,080</u>	<u>6,862,471</u>	<u>5,766,284</u>
Gross profit	584,494	679,943	2,989,681	2,648,919
<i>Research and development expense detail:</i>				
Depreciation	8,212	25,248	37,981	82,835
Non-Cash equity compensation	11,771	9,053	36,266	27,264
Other research and development expense	474,093	351,780	1,279,583	949,408
Research and development expense	<u>494,076</u>	<u>386,081</u>	<u>1,353,830</u>	<u>1,059,507</u>
<i>Selling, general and administrative expense detail:</i>				
Depreciation and amortization	4,349	7,876	12,988	28,412
Non-Cash equity compensation	27,925	26,317	85,199	84,176
Other selling, general and administrative expense	691,705	681,572	2,104,839	2,039,138
Selling, general and administrative expense	<u>723,979</u>	<u>715,765</u>	<u>2,203,026</u>	<u>2,151,726</u>
Income/(Loss) from operations	(633,561)	(421,903)	(567,175)	(562,314)
Interest income	-	-	-	-
Interest expense	(8,486)	(3,179)	(24,911)	(11,309)
Other, net	(665)	-	17,876	551
Income/(Loss) before provision for income taxes	(642,712)	(425,082)	(574,210)	(573,072)
Provision for income taxes	-	-	-	-
Net income/(loss)	<u>\$ (642,712)</u>	<u>\$ (425,082)</u>	<u>\$ (574,210)</u>	<u>\$ (573,072)</u>
Non-GAAP Disclosure (see note regarding Non-GAAP disclosures):				
Addback Interest, net	8,486	3,179	24,911	11,309
Addback Depreciation/Amortization	81,080	141,649	262,374	502,405
Addback Non-Cash Equity Compensation	45,708	40,954	139,550	128,540
Adjusted EBITDA	<u>\$ (507,438)</u>	<u>\$ (239,300)</u>	<u>\$ (147,375)</u>	<u>\$ 69,182</u>